

**Crime Stoppers of Houston, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2016 and 2015

# Crime Stoppers of Houston, Inc.

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**Independent Auditors' Report**

To the Board of Directors of  
Crime Stoppers of Houston, Inc.:

We have audited the accompanying financial statements of Crime Stoppers of Houston, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crime Stoppers of Houston, Inc. as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blazek & Vetterling*

March 1, 2017

## Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
ASSETS		
Cash (Note 2)	\$ 1,590,459	\$ 1,606,900
Accrued interest and other assets	18,957	20,363
Operating pledges receivable (Note 3)	46,741	58,615
Investments (Notes 2, 4 and 5)	1,999,067	1,920,140
Cash and cash equivalents restricted to capital projects (Notes 2 and 5)	1,244,820	6,696,799
Pledges receivable restricted to capital projects, net (Note 3)	1,408,124	1,905,902
Property and equipment, net (Note 6)	<u>9,291,011</u>	<u>2,631,224</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,599,179</u></b>	<b><u>\$ 14,839,943</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,473	\$ 16,359
Construction payable	637,437	40,240
Supplemental rewards escrow	691,991	815,291
Court rewards escrow	43,650	40,700
Note payable, net (Note 7)	<u>4,976,763</u>	<u>4,975,311</u>
Total liabilities	<u>6,361,314</u>	<u>5,887,901</u>
Net assets:		
Unrestricted	2,970,962	2,885,503
Temporarily restricted (Note 8)	<u>6,266,903</u>	<u>6,066,539</u>
Total net assets	<u>9,237,865</u>	<u>8,952,042</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,599,179</u></b>	<b><u>\$ 14,839,943</u></b>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2016

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
In-kind donations ( <i>Note 9</i> )	\$ 2,207,843		\$ 2,207,843
Court and supplemental rewards		\$ 302,265	302,265
Other contributions	174,713	825,791	1,000,504
Memberships	56,764		56,764
Court administrative funds	70,336		70,336
Special events	540,790		540,790
Direct donor benefit costs	(124,654)		(124,654)
Investment return ( <i>Note 4</i> )	<u>46,993</u>	<u>32,542</u>	<u>79,535</u>
Total revenue	2,972,785	1,160,598	4,133,383
Net assets released from restrictions:			
Satisfaction of program restrictions	591,900	(591,900)	
Capital campaign expenses	<u>368,334</u>	<u>(368,334)</u>	
Total	<u>3,933,019</u>	<u>200,364</u>	<u>4,133,383</u>
EXPENSES:			
Program services	2,981,952		2,981,952
Management and general	281,435		281,435
Fundraising	<u>584,173</u>		<u>584,173</u>
Total expenses	<u>3,847,560</u>		<u>3,847,560</u>
CHANGES IN NET ASSETS	85,459	200,364	285,823
Net assets, beginning of year	<u>2,885,503</u>	<u>6,066,539</u>	<u>8,952,042</u>
Net assets, end of year	<u>\$ 2,970,962</u>	<u>\$ 6,266,903</u>	<u>\$ 9,237,865</u>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2015

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
In-kind donations ( <i>Note 9</i> )	\$ 2,442,096		\$ 2,442,096
Court and supplemental rewards		\$ 358,867	358,867
Other contributions	192,534	3,191,844	3,384,378
Memberships	43,271		43,271
Court administrative funds	105,696		105,696
Special events	661,787		661,787
Direct donor benefit costs	(184,498)		(184,498)
Investment return ( <i>Note 4</i> )	13,270	13,026	26,296
Loss on disposal of property and equipment	(356,889)		(356,889)
Other income	<u>5,819</u>	<u>                    </u>	<u>5,819</u>
Total revenue	2,923,086	3,563,737	6,486,823
Net assets released from restrictions:			
Satisfaction of program restrictions	550,600	(550,600)	
Capital expenditures	<u>395,482</u>	<u>(395,482)</u>	<u>                    </u>
Total	<u>3,869,168</u>	<u>2,617,655</u>	<u>6,486,823</u>
EXPENSES:			
Program services	3,207,358		3,207,358
Management and general	253,597		253,597
Fundraising	<u>532,317</u>		<u>532,317</u>
Total expenses	<u>3,993,272</u>		<u>3,993,272</u>
CHANGES IN NET ASSETS	(124,104)	2,617,655	2,493,551
Net assets, beginning of year	<u>3,009,607</u>	<u>3,448,884</u>	<u>6,458,491</u>
Net assets, end of year	<u>\$ 2,885,503</u>	<u>\$ 6,066,539</u>	<u>\$ 8,952,042</u>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

### Statement of Functional Expenses for the year ended December 31, 2016

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<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 290,833	\$ 137,575	\$ 249,075	\$ 677,483
Payroll taxes and benefits	47,675	22,552	40,830	111,057
TIPS hotline personnel	2,007,583			2,007,583
Rewards	307,725			307,725
Office expenses and supplies	35,627	37,086	93,495	166,208
Professional fees and contract labor	15,910	20,879	120,000	156,789
Advertising	61,182	19,120	65,247	145,549
Occupancy	67,092	15,463	11,503	94,058
Contributed facilities usage	84,945			84,945
Telecommunications	44,441	6,347		50,788
Bank and credit card fees		15,642		15,642
Depreciation and amortization	6,444	1,484	1,105	9,033
Travel	6,809	7	62	6,878
Insurance	2,681	2,681	596	5,958
Postage and delivery	2,126	1,672	2,135	5,933
Dues and subscriptions	<u>879</u>	<u>927</u>	<u>125</u>	<u>1,931</u>
Total	<u>\$ 2,981,952</u>	<u>\$ 281,435</u>	<u>\$ 584,173</u>	3,847,560
Direct donor benefit costs				<u>124,654</u>
Total expenses				<u>\$ 3,972,214</u>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

### Statement of Functional Expenses for the year ended December 31, 2015

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<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 223,588	\$ 91,184	\$ 230,706	\$ 545,478
Payroll taxes and benefits	39,385	16,062	40,639	96,086
TIPS hotline personnel	1,943,530			1,943,530
Rewards	301,908			301,908
Office expenses and supplies	33,097	31,314	70,422	134,833
Professional fees and contract labor	23,613	64,483	120,000	208,096
Advertising	426,126	8,049	53,623	487,798
Occupancy	51,205	11,802	8,780	71,787
Contributed facilities usage	84,945			84,945
Telecommunications	55,299	5,291		60,590
Bank and credit card fees		12,756		12,756
Depreciation and amortization	7,744	1,785	1,328	10,857
Travel	6,185	1,084		7,269
Insurance	6,331	6,331	1,406	14,068
Postage and delivery	1,805	1,805	5,413	9,023
Dues and subscriptions	<u>2,597</u>	<u>1,651</u>	<u></u>	<u>4,248</u>
Total	<u>\$ 3,207,358</u>	<u>\$ 253,597</u>	<u>\$ 532,317</u>	3,993,272
Direct donor benefit costs				<u>184,498</u>
Total expenses				<u>\$ 4,177,770</u>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

### Statements of Cash Flows for the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 285,823	\$ 2,493,551
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted to capital projects	(508,625)	(2,939,094)
Loss on disposal of property and equipment		356,889
Net realized and unrealized (gain) loss on investments	(24,929)	34,002
Depreciation	9,033	10,857
Amortization of loan issuance costs	1,452	
Changes in operating assets and liabilities:		
Accrued interest and other assets	1,406	(23,950)
Operating pledges receivable	11,874	(53,115)
Accounts payable and accrued expenses	(4,886)	164
Supplemental rewards escrow	(123,300)	184,220
Court rewards escrow	<u>2,950</u>	<u>(10,100)</u>
Net cash provided (used) by operating activities	<u>(349,202)</u>	<u>53,424</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in money market mutual funds held as investments	(56,917)	(26,579)
Purchases of investments	(2,454,956)	(1,289,021)
Proceeds from sales of investments	2,457,875	1,324,222
Change in cash and cash equivalents restricted to capital projects	5,451,979	(6,313,726)
Purchase of property and equipment	<u>(6,071,623)</u>	<u>(101,963)</u>
Net cash used by investing activities	<u>(673,642)</u>	<u>(6,407,067)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted to capital projects	1,006,403	1,834,109
Proceeds from note payable	<u>                    </u>	<u>5,000,000</u>
Net cash provided by financing activities	<u>1,006,403</u>	<u>6,834,109</u>
<b>NET CHANGE IN CASH</b>	<b>(16,441)</b>	<b>480,466</b>
Cash, beginning of year	<u>1,606,900</u>	<u>1,126,434</u>
Cash, end of year	<u>\$ 1,590,459</u>	<u>\$ 1,606,900</u>

*See accompanying notes to financial statements.*

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## Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Crime Stoppers of Houston, Inc. (Crime Stoppers) is a nonprofit organization incorporated in Texas in October 1980. The purpose of Crime Stoppers is to assist Houston area law enforcement agencies in facilitating the arrest and filing of criminal charges by making rewards available to persons who furnish information that leads to the arrest and filing of charges. Crime Stoppers receives a substantial portion of its operating funds from business and individual donations. Any person providing information leading to the arrest and filing of charges is given a reward and remains anonymous. The Reward Assessment Committee determines the amount of the reward and the Board of Directors authorizes payment.

Federal income tax status – Crime Stoppers is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash equivalents include highly liquid investments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for uncollectible pledges is provided when it is believed that pledges may not be collected in full. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Investments are recorded at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Property and equipment is recorded at cost if purchased or at fair value at the date of gift if donated. Crime Stoppers' policy is to capitalize property and equipment purchases over \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Court rewards are recorded as revenue when the payments are received from the Harris County probation department. Unclaimed court rewards outstanding for at least 45 days from the date of approval of

payment by the Reward Assessment Committee are held in a restricted cash account and reported as court rewards escrow liability by Crime Stoppers for one year from the date of the approval of payment. Unclaimed court rewards outstanding for more than one year are held by Crime Stoppers and used for payment of cash rewards for other cases.

Supplemental rewards are recorded as revenue and expense when the reward is paid to a person who provides information leading to the arrest and charging of the suspect responsible for the crimes. Amounts collected in advance for supplemental rewards that have not been paid are reported as supplemental rewards escrow.

Other contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Crime Stoppers reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, materials, and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising expense – Advertising costs are expensed as incurred.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In 2016, Crime Stoppers adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This amendment requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. As a result of adoption, previously reported assets and liabilities at December 31, 2015 were each reduced by \$24,689. There was no impact on net assets or changes in net assets for 2015.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service.

The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Crime Stoppers plans to adopt this ASU effective for the fiscal year ended December 31, 2018. Adoption of this ASU will significantly impact the presentation and disclosures of the financial statements.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Demand deposits	\$ 1,842,188	\$ 8,303,699
Money market mutual funds	<u>993,091</u>	<u>                    </u>
Total cash and cash equivalents	<u>\$ 2,835,279</u>	<u>\$ 8,303,699</u>

Demand deposits exceed the federally insured limit per depositor per institution.

In the State of Texas, a court is allowed to require a probationer to make a one-time contribution of up to \$50 to a local Crime Stoppers program. In Harris County, the probation department collects this money and forwards it to Crime Stoppers. Eighty percent is restricted by statute to be used only for paying cash rewards to qualified informants. Any interest earned thereon also is restricted for this purpose.

Crime Stoppers is required to maintain a separate reward account for money received from the Harris County probation department. At December 31, 2016 and 2015, \$629,208 and \$637,150 included in cash and \$1,163,611 and \$1,132,298 included in investments, respectively, are restricted by statute to pay rewards to qualified informants.

Crime Stoppers also holds supplemental funds received for payment of rewards. The Board of Directors desires to maintain supplemental rewards in separate bank accounts. At December 31, 2016 and 2015, \$292,301 and \$445,601 included in cash, respectively, are segregated by Crime Stoppers for this purpose.

## NOTE 3 – PLEDGES RECEIVABLE

In 2013, Crime Stoppers launched a \$10 million capital campaign, *We Are All Crime Stoppers Capital Campaign*. The goal of the campaign is to provide funds to build the first-ever Crime Stoppers' headquarters located at 3001 Main Street. Through December 31, 2016, contributions to the campaign totaled approximately \$4.8 million.

Pledges receivable are as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable	\$ 1,467,225	\$ 1,984,957
Discount to net present value at 1.47% to 1.76%	<u>(12,360)</u>	<u>(20,440)</u>
Pledges receivable, net	<u>\$ 1,454,865</u>	<u>\$ 1,964,517</u>

Pledges receivable at December 31, 2016 are expected to be collected as follows:

2017	\$ 736,720
2018	509,255
2019	172,500
2020	<u>48,750</u>
Total pledges receivable	<u>\$ 1,467,225</u>

*Concentration* – At December 31, 2016, approximately 59% of pledges are due from four donors. At December 31, 2015, approximately 58% of pledges are due from three donors.

#### NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Government agency securities	\$ 1,209,958	\$ 1,099,013
Equity securities	482,533	445,685
Corporate bonds	192,822	318,605
Money market mutual funds	<u>113,754</u>	<u>56,837</u>
Total investments	<u>\$ 1,999,067</u>	<u>\$ 1,920,140</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 54,606	\$ 60,298
Net realized and unrealized gain (loss) on investments	<u>24,929</u>	<u>(34,002)</u>
Total investment return	<u>\$ 79,535</u>	<u>\$ 26,296</u>

#### NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Government agency securities		\$ 1,209,958		\$ 1,209,958
Equity securities:				
Information technology	\$ 122,378			122,378
Consumer discretion	94,664			94,664
Healthcare	81,958			81,958
Consumer staples	65,508			65,508
Industrials	61,806			61,806
Financials	33,908			33,908
Materials	13,828			13,828
Telecommunication	6,139			6,139
Energy	2,344			2,344
Corporate bonds		192,822		192,822
Money market mutual funds	<u>113,754</u>	<u>          </u>		<u>113,754</u>
Total investments	596,287	1,402,780		1,999,067
Cash equivalents – money market mutual funds	<u>993,091</u>	<u>          </u>	<u>          </u>	<u>993,091</u>
Total assets measured at fair value	<u>\$ 1,589,378</u>	<u>\$ 1,402,780</u>	<u>\$ 0</u>	<u>\$ 2,992,158</u>

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Government agency securities		\$ 1,099,013		\$ 1,099,013
Equity securities:				
Information technology	\$ 82,843			82,843
Consumer discretion	91,002			91,002
Healthcare	70,099			70,099
Consumer staples	82,145			82,145
Industrials	44,024			44,024
Financials	42,945			42,945
Materials	14,676			14,676
Telecommunication	9,475			9,475
Energy	8,476			8,476
Corporate bonds		318,605		318,605
Money market mutual funds	<u>56,837</u>	<u>          </u>		<u>56,837</u>
Total assets measured at fair value	<u>\$ 502,522</u>	<u>\$ 1,417,618</u>	<u>\$ 0</u>	<u>\$ 1,920,140</u>

Valuation methods used for assets measured at fair value are as follows:

- *Government agency securities* and *corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Crime Stoppers believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

## NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,905,620	\$ 1,905,620
Equipment	222,284	221,764
Furniture and fixtures	126,018	
Building and improvements	44,416	
Software	6,495	6,495
Construction in progress	<u>7,204,752</u>	<u>706,886</u>
Total property and equipment, at cost	9,509,585	2,840,765
Accumulated depreciation and amortization	<u>(218,574)</u>	<u>(209,541)</u>
Property and equipment, net	<u>\$ 9,291,011</u>	<u>\$ 2,631,224</u>

## NOTE 7 – NOTE PAYABLE

Note payable consist of the following:

	<u>2016</u>	<u>2015</u>
In December 2015, Crime Stoppers entered into a \$5,000,000 promissory note with a foundation. Proceeds from the note are to be used for construction of a new building. The note matures in July 2032. The note bears interest at 3%, beginning in July 2017. In July 2022, interest will be adjusted to prime rate less 0.25%, set every five years. The first monthly installment of \$23,711, including accrued interest, is due in August 2017 and the final installment (balloon payment) is due in July 2032. The note is collateralized by real property and all pledges receivable restricted for construction of the new building.	\$ 5,000,000	\$ 5,000,000
Loan issuance costs	<u>(23,237)</u>	<u>(24,689)</u>
Note payable, net	<u>\$ 4,976,763</u>	<u>\$ 4,975,311</u>

Maturities of the note payable, including interest, at December 31, 2016 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 56,336	\$ 62,219	\$ 118,555
2018	138,110	146,422	284,532
2019	142,311	142,221	284,532
2020	146,635	137,892	284,527
2021	151,095	133,432	284,527
Thereafter	<u>4,365,513</u>	<u>1,095,041</u>	<u>5,460,554</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 1,717,227</u>	<u>\$ 6,717,227</u>

#### **NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital projects	\$ 4,240,087	\$ 4,099,796
Rewards	2,011,266	1,966,743
Safe School Program	<u>15,550</u>	<u>          </u>
Total temporarily restricted net assets	<u>\$ 6,266,903</u>	<u>\$ 6,066,539</u>

#### **NOTE 9 – IN-KIND DONATIONS**

In-kind donations recognized during the years ended December 31, 2016 and 2015 are classified in the statement of functional expenses as follows:

	<u>2016</u>	<u>2015</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,487,291	\$ 1,427,374
Harris County Sheriff's Office	394,588	394,588
Pasadena Police Department	<u>125,704</u>	<u>121,568</u>
Total TIPS hotline personnel	<u>2,007,583</u>	<u>1,943,530</u>
Advertising:		
Billboards – Clear Channel Outdoor	28,930	95,800
Gala media – Prime Living Magazine	25,388	
Television and broadcasting – Telemundo		316,000
Other	<u>31,500</u>	<u>          </u>
Total advertising	<u>85,818</u>	<u>411,800</u>
Facilities usage – CenterPoint Energy	84,945	84,945
Other	<u>29,497</u>	<u>1,821</u>
Total in-kind donations	<u>\$ 2,207,843</u>	<u>\$ 2,442,096</u>



#### **NOTE 10 – LEASE COMMITMENTS**

Crime Stoppers leases certain office space and office furniture used in its operations. Operating lease expense for the years ended December 31, 2016 and 2015 were approximately \$59,000 and \$19,000, respectively.

As of December 31, 2016, future minimum annual lease payments under these noncancellable operating leases are as follows:

2017	\$ 13,137
2018	9,000
2019	9,000
2020	9,000
2021	9,000
Thereafter	<u>303,750</u>
Total	<u>\$ 352,887</u>

#### **NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 1, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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